

No. 20368

IN THE
United States Court of Appeals
FOR THE NINTH CIRCUIT

SHAPIRO, BERNSTEIN & Co., INC.,

Appellant,

vs.

4636 S. VERMONT AVE. INC., a California
corporation, doing business as
REED'S MUSIC STORE,

Appellee.

APPELLANT'S OPENING BRIEF

O'MELVENY & MYERS
BENNETT W. PRIEST
HENRY C. THUMANN
433 So. Spring Street
Los Angeles, California 90013

Attorneys for Appellant

FILED

JAN 31 1966

WM. B. LUCK, CLERK

SUBJECT INDEX

	Page
Preliminary statement.....	1
Record citations and abbreviations.....	2
Jurisdiction.....	2
Statement of the case.....	3
1. Facts.....	3
2. Questions involved — manner in which the same are raised.....	6
Specifications of errors.....	9
Statute involved.....	12
Argument.....	14
I. The District Court erred in failing to award to plaintiff minimum statutory damages of \$250 for each of the twelve admitted copyright infringements.....	14
A. The purpose of the “in lieu” provisions of Section 101 is to provide a just remedy for copyright owners who are unable to prove their actual damages as well as the infringer’s profits.....	15
B. The Supreme Court has consistently held that it is man- datory for a court to award minimum statutory dam- ages of \$250 per infringement when a copyright owner does not or cannot prove its damages and the in- fringer’s profits, if any.....	17
C. The decisions of this Court and other courts of appeal are that a plaintiff must be awarded at least minimum statutory damages if he is unable to prove his actual damages or the infringer’s profits.....	20
D. Plaintiff here was unable to prove its actual damages and the defendant infringer’s profits were not proved with any certainty.....	23
1. Damages.....	23
2. Profits.....	29

	Page
E. Irrespective of the amount of defendant's profits, plaintiff was entitled to the statutory minimum damages because of its inability to prove its actual damages.....	31
F. Plaintiff was entitled to an award of \$250 for each of the twelve infringements.....	35
II. The District Court erred in failing to grant an injunction against infringement by the defendant of plaintiff's copyrighted musical compositions.....	38
III. The District Court erred in failing to give plaintiff the further relief accorded it as a copyright owner under Section 101(d) of the Copyright Act.....	39
IV. The District Court erred in awarding costs and attorneys fees to the infringer.....	40
Conclusion.....	43
Certificate of counsel	

TABLE OF AUTHORITIES CITED

Cases	Page
Advertisers Exchange v. Hinkley, 199 F.2d 313 (8th Cir. 1952), cert. denied 344 U.S. 921 (1952).....	34
Amplex Mfg. Co. v. A.B.C. Plastic Fabricators, Inc., 184 F.Supp. 285 (E.D. Pa. 1960).....	34
Amsterdam Syndicate, Inc. v. Fuller, 154 F.2d 342 (1946).....	22, 34
Brady v. Daly, 175 U.S. 148.....	16
Buck v. Bilkie, 63 F.2d 447 (9 Cir. 1933).....	21, 34, 41
Buck v. Milam, 32 F.2d 622 (D.Ida. 1929).....	34
Burndy Engineering Co., Inc. v. Sheldon Services Corp., 127 F.2d 661 (2nd Cir. 1942).....	22, 30
Chappell & Co., Inc. v. Palermo Cafe Co., 249 F.2d 77 (1957).....	22, 34
Cox v. Kaufman, 77 Cal.App.2d 449 (1946).....	28
Cravens v. Retail Credit Men's Assn., 26 F.2d 833 (M.D.Tenn. 1924).....	31
Doll v. Libin, 17 F.Supp. 546 (D.Mont. 1936).....	34
Douglas v. Cunningham, 294 U.S. 207 (1935).....	15, 17, 18, 19, 34, 43
Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co., 36 F.2d 354 (1929).....	22, 34
Eliot v. Geare-Marston, Inc., 30 F.Supp. 301 (E.D.Pa. 1939).....	31
Fred Fisher, Inc. v. Dillingham, 298 Fed. 145 (S.D.N.Y. 1924).....	33, 39
F. W. Woolworth Co. v. Contemporary Arts, Inc., 344 U.S. 228 (1952).....	19, 37
Harry Alter Co. v. A. E. Borden Co., 121 F.Supp. 941 (D.Mass. 1954).....	35
Hedeman Products Corp. v. Tap-Rite Products Corp., 228 F.Supp. 630 (D.N.J. 1964).....	31, 35

	Page
Holdrege v. Knight Publishing Corp., 214 F.Supp. 921 (S.D.Cal. 1963).....	35
Interstate Hotel Co. of Nebraska v. Remick Music Corp., 157 F.2d 744 (8th Cir. 1946), cert denied 329 U.S. 809 (1947).....	34
Irving Berlin, Inc. v. Daigle, 31 F.2d 832 (1929).....	22, 34
Jewell-LaSalle Realty Company v. Buck, 283 U.S. 202 (1931).....	18, 19, 34
Johns & Johns Printing Co. v. Paull-Pioneer Music Corp., 102 F.2d 282 (8th Cir. 1939).....	22, 30, 33, 41
Kinter v. United States, 156 F.2d 5 (2 Cir. 1946).....	26
Kosters v. Hoover, 98 F.2d 595 (App.B.C. 1938).....	28
Law v. National Broadcasting Co., 51 F.Supp. 798 (S.D.N.Y. 1943).....	34
Ledbetter v. Farmers Bank and Trust Co., 142 F.2d 147 (4th Cir. 1944).....	27
Lindsay & Brewster, Inc. v. Verstein, 21 F.Supp. 264 (D.Me. 1937).....	34
Lutz v. Buck, 40 F.2d 501 (1930).....	22, 34
Markham v. A. E. Borden Co., Inc., 221 F.2d 586 (1st Cir. 1955).....	22, 31
National Geographic Society v. Classified Geographic, 27 F.Supp. 655 (D.Mass. 1939).....	31
Nikanov v. Simon & Schuster, Inc., 246 F.2d 501 (2nd Cir. 1957).....	22, 31
Park-In Theatres, Inc. v. Perkins, 190 F.2d 137 (9th Cir. 1951).....	42
Russell & Stoll Co. v. Oceanic Electrical Supply Co., Inc., 80 F.2d 864 (1936).....	22, 34
Sammon v. Larkin, 126 F.2d 341 (1 Cir. 1942).....	31
Sebring Pottery Co. v. Steubenville Pottery Co., 9 F.Supp. 384 (N.D. Ohio 1934).....	31

	Page
Sheldon v. Metro-Goldwyn Pictures, 309 U. S. 390 (1940).....	29, 37
Shingle Products v. Gleason, 211 F.2d 437 (9th Cir. 1954).....	41
Talon v. Union Slide Fastener, 266 F.2d 731 (9th Cir. 1959).....	41
Toksvig v. Bruce Publishing Co., 181 F.2d 664 (7th Cir. 1950).....	22, 30
Towle v. Ross, 32 F.Supp. 125 (D. Ore. 1940).....	31, 32
Universal Statuary Corporation v. Gaines, 310 F.2d 647 (1962).....	22
Waterson, Berlin & Snyder Co. v. Tollefson, 253 Fed. 859 (S.D. Cal. 1918).....	34
Westermann Co. v. Dispatch Printing Co., 249 U.S. 100 (1919).....	16, 17, 18, 19, 20, 30, 34, 35, 36, 41
Widenski v. Shapiro, Bernstein & Co., Inc., 147 F.2d 909 (1945).....	22, 34
Wihtol v. Crow, 309 F.2d 777 (8th Cir. 1962).....	22, 31, 39, 41
Witmark (M) & Sons v. Calloway, 22 F.2d 412 (E.D. Tenn. 1927).....	34, 39
Witmark (M) & Sons v. Pastime Amusement Co., 298 Fed. 470 (E.D.So.Caro. 1924), aff'd 2 F.2d 1020 (4th Cir. 1924).....	34
Woolworth (F.W.) Co., Inc. v. Contemporary Arts, Inc., 344 U.S. 228 (1952).....	37
Zenn v. National Golf Review, Inc., 27 F.Supp. 732 (S.D.N.Y. 1939).....	34
Copyright Act of 1856.....	16
35 Stat. 1081, Copyright Act of March 4, 1909.....	2, 5

	Page
Statutes	
United States Code, Title 17	
Section 1.....	14, 15
Section 1, et seq.....	2, 14, 27, 33, 41
Section 10(b).....	9
Section 101.....	1, 12, 15, 17, 29, 33, 37
Section 101(a).....	7, 10, 38
Section 101(b).....	7, 9, 11, 12, 19, 20
Section 101(d).....	39
Section 114.....	2
United States Code, Title 28, Section 1291.....	2

Restatements	
Restatement of Agency, Section 1.....	28
Restatement of Agency, Section 14.....	27

IN THE
United States Court of Appeals
FOR THE NINTH CIRCUIT

SHAPIRO, BERNSTEIN & Co., INC.,

Appellant,

vs.

4636 S. VERMONT AVE. INC., a California
corporation, doing business as
REED'S MUSIC STORE,

Appellee.

APPELLANT'S OPENING BRIEF

PRELIMINARY STATEMENT

This case presents the strikingly unusual situation where a party was found guilty of copyright infringement but the copyright owner was awarded no relief against it, as a result of which the *infringer* was awarded its attorneys fees. The action was brought in the District Court under Section 101 of the Copyright Act, 17 U.S.C. § 101. Plaintiff sought an injunction against further infringement, damages in an amount not less than the minimum of \$250 per infringement specified in Section 101, and the surrender of any infringing works still in the possession or control of the defendant. The infringe-

ments were of the copyrights of twelve musical compositions (popular songs) owned by the appellant (plaintiff in the District Court and so designated throughout this brief). Infringement was caused by the distribution and sale by appellee (defendant in the District Court and so designated throughout this brief) of a loose-leaf book containing the titles, words and music of approximately 1,000 popular songs, including the twelve owned by plaintiff. The book had been published and sold to the defendant by a "music pirate" without plaintiff's knowledge or permission. Infringement was established at the trial, and the District Court so found. Nevertheless, as noted, plaintiff was denied relief and defendant was awarded its attorneys fees.

RECORD CITATIONS AND ABBREVIATIONS

Plaintiff has appealed from the judgment, bringing up a transcript of record consisting of two volumes, the first of which ("1 Tr.") consists of designated portions of the Clerk's Transcript and the second of which ("2 Tr.") consists of the Reporter's Transcript of the trial.

Reference to specific findings made by the court below will be abbreviated to "F." followed by the appropriate number of the finding or findings ("FF.") and the appropriate record citation.

JURISDICTION

The jurisdiction of the District Court arose under the Copyright Act, the Act of March 4, 1909, 35 Stat. 1081; 17 U.S.C. § 1, et seq (1 Tr. 2, 115). Jurisdiction of this Court to review the judgment exists under 28 U.S.C. § 1291 and 17 U.S.C. § 114.

STATEMENT OF THE CASE

1. Facts

Prior to and in June 1962 plaintiff was the owner of the copyrights of the popular songs known as —

“LIGHTS OUT”

“THE ONE ROSE”

“PENNSYLVANIA POLKA”

“MEMORIES OF YOU”

“TOO FAT POLKA

(SHE’S TOO FAT FOR ME)”

“SOMEBODY ELSE IS TAKING MY PLACE”

“BY THE BEAUTIFUL SEA”

“SIDE BY SIDE”

“SWEET SUE — JUST YOU”

“ROSE OF WASHINGTON SQUARE”

“EXACTLY LIKE YOU”

“HAVE YOU EVER BEEN LONELY

(HAVE YOU EVER BEEN BLUE)”

(1 Tr. 119-120; Pltf. Exs. 3 and 15). Plaintiff’s only business was and is the printing, publishing and selling of copyrighted musical compositions, including those twelve songs (1 Tr. 116, 226).

Defendant operates a retail music store under the trade name “REED’S MUSIC STORE” in Los Angeles, California, primarily selling pianos and organs but also selling printed musical compositions (1 Tr. 227; 2 Tr. 58-59). Defendant’s President purchased four copies of a loose-leaf compilation of popular songs from one “Mel Alan” (2 Tr. 60-79, 92), a person who came in off the street

and was unknown to defendant's President or anyone else in the defendant company (2 Tr. 54-56). The first book was purchased in August 1961, the second in December of that year, and two more in May 1962 (2 Tr. 60-79; Pltf. Exs. 8, 11 & 14). One or more copies of the book were prominently displayed in a glass case in defendant's store and offered to customers for cash sale (2 Tr. 79-80, 115-116). Defendant sold at least three such books to its customers prior to the commencement of this action (2 Tr. 81).

The books purchased by defendant from "Mel Alan" was entitled "OVER 1,000 FAVORITE STANDARD SONGS, VOLUME 1," and each copy contained reproductions of the title, lyrics and music of each of plaintiff's twelve songs* (1 Tr. 116-117, 227). The books were shabby in appearance and format, having spiral bindings and paper covers. The pages were cheaply reproduced from typewritten and hand-lettered material, rather than regularly typeset (2 Tr. 97-104). A copy of the book was in evidence as plaintiff's Exhibit 1. The book is of a type useful for persons playing songs on a piano or other instrument, in that it gives him the basic melody and the lyrics and he can then "fake" the harmony. During the trial, this type of book was commonly referred to by the trade term, "fake book" (1 Tr. 54, 110-111).

The "Mel Alan" from whom defendant purchased the book had no consent or authority of the plaintiff to print, reprint, copy, vend, arrange or adapt the music and lyrics of any of plaintiff's songs in issue here (1 Tr. 120). In fact, "Mel Alan" was an alias name, and that person

* Defendant purchased other books from "Mel Alan" at the same time, but these apparently did not contain copies of plaintiff's songs and were not in issue at the trial (Pltf. Ex. 8, 11 & 14; 2 Tr. 92-93).

under his true name was convicted of criminal violation of the Copyright Act by reason of the sale of such books (2 Tr. 22-23; Pltf. Ex. 4). "Mel Alan" was in effect a music pirate. The infringing book bought by defendant and similar ones were problems to plaintiff throughout the country (2 Tr. 16). Plaintiff made efforts, through advertisements in music publications and direct mail pieces, to warn persons in the music business against distributing or offering for sale such infringing books (2 Tr. 19-21, 24, 39-45, 47-48).

Plaintiff did not know at the time that defendant had purchased the four copies of the infringing book. The acts of defendant in selling copies of the book were committed without the previous solicitation, procurement, knowledge, consent or authority of the plaintiff (1 Tr. 120; 2 Tr. 8-11).

The infringing sales by defendant were discovered by reason of the visit of Mr. T. Tempesta to defendant's store in June 1962. One of defendant's salesmen sold to Mr. Tempesta a copy of the infringing book (1 Tr. 116-117). At that time Mr. Tempesta was regularly employed as an investigator by the Music Publishers Protective Association, Inc., a nonprofit organization whose membership consists of numerous music publishers, including plaintiff (1 Tr. 118). His duties included discovering sellers of infringing and illegal books such as the ones sold by defendant. Mr. Tempesta entered defendant's store in the course of his duties for the purpose of discovering whether it was selling or offering for sale books containing unauthorized copies of musical compositions owned by members of the Association (1 Tr. 118-119, 229). There was no evidence that Mr. Tempesta knew before he purchased the book that any of the twelve songs belonging to plaintiff were included therein, and it

was stipulated at the trial that the sale was without the previous knowledge of the plaintiff (2 Tr. 8-11).

Plaintiff was actually damaged by the sales of the infringing books by defendant (2 Tr. 34, 16-19, 27-29). Plaintiff was unable to calculate or fix the amount of its damage, and its attempts to estimate an amount were rejected by the trial court (2 Tr. 16-19, 27-29, 34-39), despite the fact that its sales generally declined and the value of its copyrights was lessened (2 Tr. 27-29, 33-35) because of these and other infringing acts.

The profits earned by defendant from the sales of the book could not be ascertained. Defendant sold one copy to Mr. Tempesta for \$25, but the sales prices of the other copies of the book were not known to defendant and it had no records concerning such sales (2 Tr. 81-84, 90-91). Thus, while defendant's record showed the cost of purchase of the books (\$5.75 for two and \$5.90 for the other two; Pltf. Exs. 8, 11 & 14), the lack of sales prices prevented even an estimation of gross profits.

It was undisputed that plaintiff was distributing and selling the infringing books for its own profit and gain (1 Tr. 229; 2 Tr. 59-60, 75). Defendant's President admitted that he had never before seen a "bargain" in music like this book (2 Tr. 103).

Plaintiff admitted its inability to prove the actual damages by reason of the infringing sales of the book and submitted all proof available as to defendant infringer's profit.

2. Questions Involved — Manner In Which The Same Are Raised

(1) Whether the District Court erred in failing to award to plaintiff minimum damages of \$250 for each of the twelve admitted copyright infringements by de-

fendant, a total of \$3,000, under the “in lieu” provisions of 17 U.S.C. Sec. 101(b)? This question was raised on plaintiff’s objections to proposed findings of fact and conclusions of law (1 Tr. 220 et seq.) and arguments to the District Court (2 Tr. 128-144) and post-trial briefs filed with the District Court.

(2) Whether the District Court erred in holding that plaintiff was not entitled to an injunction against infringement by the defendant of plaintiff’s twelve copyrighted musical compositions, under the provisions of 17 U.S.C. Sec. 101(a)? This question was raised as specified in the last preceding question, numbered (1) above.

(3) Whether the District Court erred in failing to order the defendant to deliver up to the court and plaintiff all copies of the infringing book or other infringing copies of plaintiff’s musical compositions in defendant’s possession or under its control? Also raised as specified in question numbered (1).

(4) Whether the District Court erred in awarding to the infringing defendant its costs and attorneys fees in the amount of \$1500? This question was raised by plaintiff’s objections to proposed findings of fact and conclusions of law (1 Tr. 220 et seq.).

(5) Whether the following findings of the District Court are clearly erroneous and without substantial support from the evidence? The question as to the propriety of these findings was raised on plaintiff’s objections to the proposed findings of fact and conclusions of law (1 Tr. 220 et seq.):

(a) That the total actual profits made by defendant are trivial, are ascertainable, and amount to approximately twenty-two cents from the sale of the twelve infringed songs. (F. 16; 1 Tr. 229).

(b) That the amount of damage suffered by plaintiff due to the infringements is ascertainable, that there was no evidence of any damage to plaintiff, and that plaintiff could not be damaged by the sale to Mr. Tempesta because he was an agent of plaintiff in purchasing the book and thus prevented the circularization of the copyrighted material to the public. (F. 17; 1 Tr. 230).

(c) That there was no credible evidence that plaintiff's twelve copyrighted musical compositions were any more or less valuable than the other songs in the infringing books. (F. 23; 1 Tr. 230).

(d) That Mr. T. Tempesta was an agent of plaintiff in going to defendant's store and in buying a book containing unauthorized copies of plaintiff's copyrighted musical compositions. (FF. 13, 14, 17 and 26; 1 Tr. 224-231).

(e) That the case went to trial in November 1964 on the issue of damages only. (F. 21; 1 Tr. 230).

(f) That plaintiff's prosecution of the case was not in good faith after February 28, 1964, was conducted without any reasonable belief in the merits thereof, and that plaintiff knew or should have known that its arguments lacked merit. (FF. 24, 26, 27; 1 Tr. 230-231).

(g) That the defendant is a small, family corporation with only three employees, and that there is a disparity between the financial resources of plaintiff and defendant. (F. 28; 1 Tr. 231).

(h) That there was no justification to conclude that there was any threat by defendant to continue to sell any of plaintiff's copyrighted musical compositions without plaintiff's permission. (F. 51; 1 Tr. 232).

(i) That there was sufficient basis to award attorneys fees to defendant in the amount of \$1500. (F. 24; 1 Tr. 231).

(j) That plaintiff should take nothing by way of relief. (F. 33; 1 Tr. 232).

(6) Whether the District Court erred in concluding that the amount plaintiff is entitled to recover in profits and damages is *de minimis*? This question was raised as specified in question numbered (1).

(7) Whether the District Court erred in concluding that, if either profits or damages are ascertainable, the minimum provided for in the “in lieu” provision of 17 U.S.C. Sec. 10(b) need not be resorted to? This question was raised as specified in question numbered (1).

(8) Whether the District Court erred in concluding that where exact proof of the infringer’s profit has been made and no other damages are shown for the infringement, there is no need to resort to the “in lieu” provisions of 17 U.S.C. Sec. 101(b). This question was raised as specified in question numbered (1).

(9) Whether the District Court erred in concluding that the defendant was the prevailing party and entitled to costs and a reasonable attorneys fee? This question was raised on plaintiff’s objection to the findings of fact and conclusions of law (1 Tr. 220 et seq.).

SPECIFICATION OF ERRORS

(1) The District Court erred in failing to award to plaintiff minimum damages of \$250 for each of the twelve admitted copyright infringements by defendant, a total of \$3,000, under the “in lieu” provisions of 17 U.S.C. § 101(b).

(2) The District Court erred in holding that plaintiff was not entitled to an injunction against infringement by the defendant of plaintiff's copyrighted musical compositions listed in the findings, under the provisions of 17 U.S.C. § 101(a).

(3) The District Court erred in failing to order the defendant to deliver up to the court and plaintiff all copies of the infringing work or other infringing copies of plaintiff's musical compositions in defendant's possession or under its control.

(4) The District Court erred in awarding defendant its costs and attorneys fees in the amount of \$1500.

(5) The following findings of the District Court are clearly erroneous and without substantial support from the evidence:

(a) That the total actual profits made by defendant are trivial, are ascertainable, and amount to approximately twenty-two cents from the sale of the twelve infringed songs (F. 16; 1 Tr. 229).

(b) That the amount of damage suffered by plaintiff due to the infringements is ascertainable, that there was no evidence of any damage to plaintiff, and that plaintiff could not be damaged by the sale to Mr. Tempesta because he was an agent of plaintiff in purchasing the book and thus prevented the circularization of the copyrighted material to the public. (F. 17; 1 Tr. 230)

(c) That there was no credible evidence that plaintiff's twelve copyrighted musical compositions were any more or less valuable than the other songs in the infringing books. (F. 23; 1 Tr. 230)

(d) That Mr. T. Tempesta was an agent of plaintiff in going to defendant's store and in buying a book con-

taining unauthorized copies of plaintiff's copyrighted musical compositions. (FF. 13, 14, 17 and 26; 1 Tr. 229-231).

(e) That the case went to trial in November 1964 on the issue of damages only. (F. 21; 1 Tr. 230)

(f) That plaintiff's prosecution of the case was not in good faith after February 28, 1964, was conducted without any reasonable belief in the merits thereof, and that plaintiff knew or should have known that its arguments lacked merit. (FF. 24, 26, 27; 1 Tr. 230-231).

(g) That the defendant is a small, family corporation with only three employees, and that there is a disparity between the financial resources of plaintiff and defendant. (F. 28; 1 Tr. 231).

(h) That there was no justification to conclude that there was any threat by defendant to continue to sell any of plaintiff's copyrighted musical compositions without plaintiff's permission. (F. 31; 1 Tr. 232).

(i) That there was sufficient basis to award attorneys fees to defendant in the amount of \$1500. (F. 29; 1 Tr. 231).

(j) That plaintiff should take nothing by way of relief. (F. 33; 1 Tr. 232).

(6) The District Court erred in concluding that the amount plaintiff is entitled to recover in profits and damages is *de minimis*.

(7) The District Court erred in concluding that, if either profits or damages are ascertainable, the minimum provided for in the "in lieu" provision of 17 U.S.C. Sec. 101(b) need not be resorted to.

(8) The District Court erred in concluding that where exact proof of the infringer's profit has been made and

no other damages are shown for the infringement, there is no need to resort to the “in lieu” provisions of 17 U.S.C. Sec. 101(b).

(9) The District Court erred in concluding that the defendant was the prevailing party and entitled to costs and a reasonable attorneys fee.

STATUTE INVOLVED

The only statute pertinent to a consideration of this action is Section 101 of the Copyright Act, 17 U.S.C., which states in relevant part:

“If any person shall infringe the copyright in any work protected under the copyright laws of the United States such person shall be liable:

“(a) Injunction.—To an injunction restraining such infringement;

“(b) Damages and profits; amount; other remedies.—To pay to the copyright proprietor such damages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such infringement, and in proving profits the plaintiff shall be required to prove sales only, and the defendant shall be required to prove every element of cost which he claims, or in lieu of actual damages and profits, such damages as to the court shall appear to be just, and in assessing such damages the court may, in its discretion, allow the amounts as hereinafter stated, . . . and such damages shall in no other case exceed the sum of \$5,000 nor be less than the sum of \$250, and shall not be regarded as a penalty. But the foregoing exceptions shall not deprive the copyright proprietor of any other remedy

given him under this law, nor shall the limitation as to the amount of recovery apply to infringements occurring after the actual notice to a defendant, either by service of process in a suit or other written notice served upon him.

“First. In the case of a painting, statue, or sculpture, \$10 for every infringing copy made or sold by or found in the possession of the infringer or his agents or employees;

“Second. In the case of any work enumerated in section 5 of this title, except a painting, statue, or sculpture, \$1 for every infringing copy made or sold by or found in the possession of the infringer or his agents or employees;

“Third. In the case of a lecture, sermon, or address, \$50 for every infringing delivery;

“Fourth. In the case of a dramatic or dramatico-musical or a choral or orchestral composition, \$100 for the first and \$50 for every subsequent infringing performance; in the case of other musical compositions \$10 for every infringing performance;

“ . . .

“(d) Destruction of infringing copies and plates. — To deliver up on oath for destruction all the infringing copies or devices, as well as all plates, molds, matrices, or other means for making such infringing copies as the court may order.”

ARGUMENT

I. THE DISTRICT COURT ERRED IN FAILING TO AWARD TO PLAINTIFF MINIMUM STATUTORY DAMAGES OF \$250 FOR EACH OF THE TWELVE ADMITTED COPYRIGHT INFRINGEMENTS.

The Copyright Act gives a copyright owner the right against an infringer to recover *both* the actual damages that it may have suffered due to the infringement and all the profits which the infringer shall have made from the infringement. However, because Congress recognizes that proof of these matters is often difficult, if not impossible, it provided that “in lieu of actual damages and profits” the infringer must pay to the copyright owner an amount between a minimum of \$250 and a maximum of \$5,000. The amount of the award within those limits is in the court’s discretion. In the present case the court denied to plaintiff the right to any such “in lieu” award, despite the impossibility of proving its actual damages and the infringer’s profits.

The record reveals the manifest impossibility of translating the harm caused by the defendant’s infringements into terms of pecuniary compensation (2 Tr. 19, 33-38). Further, the nature of the exclusive rights given to a copyright owner by Section 1 of the Act (17 U.S.C. § 1) is such that no owner or expert can fix the dollar amount of damage caused by infringing sales with the certainty that the rules of evidence require.

The District Court reached its erroneous judgment by ignoring the uncontradicted evidence that plaintiff had been damaged (2 Tr. 34) and erroneously finding that damages were “ascertainable” but that “there is no evidence of any damage to the plaintiff” (1 Tr. 230). These findings are inconsistent as well as erroneous. The

court also erroneously found that the defendant's profits were ascertainable, to wit, twenty-two cents from the sale of one of the infringing books by defendant. The court also erred in ignoring defendant's other sales of the infringing book.

The denial to plaintiff of "in lieu" damages is contrary to the clear intent and purpose of the statute, contrary to the direct holdings of the United States Supreme Court, and contrary to the decisions of this Court and other courts of appeal.

A. The Purpose of the "In Lieu" Provisions of Section 101 Is to Provide a Just Remedy for Copyright Owners Who Are Unable to Prove Their Actual Damages as well as the Infringer's Profits.

The broad purpose of the "in lieu" provisions of Section 101 was simply stated by the Supreme Court in *Douglas v. Cunningham*, 294 U.S. 207 (1935):

"The phraseology of the section was adopted to avoid the strictness of construction incident to a law imposing penalties, and *to give the owner of a copyright some recompense for injury done him, in a case where the rules of law render difficult or impossible proof of damages or discovery of profits.* In this respect the old law was unsatisfactory. In many cases plaintiffs, though proving infringement, were able to recover only nominal damages, in spite of the fact that preparation and trial of the case imposed substantial expense and inconvenience. The ineffectiveness of the remedy encouraged wilful and deliberate infringement." (p. 209) (Emphasis here, as elsewhere, is supplied unless otherwise noted.)

The history of this provision of the Copyright Act was traced by the Supreme Court in an earlier, landmark

decision, *Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100 (1919). Its origin is found in the Copyright Act of 1856, which required the infringer of a copyright in a dramatic composition to pay such damages "as to the court shall appear to be just" but *not less than* a prescribed amount. This section was enlarged in scope and the amounts changed in subsequent revisions of the copyright statute. Despite these changes, "the principle on which they proceeded — that of committing the amount of damages to be recovered to the court's discretion and sense of justice, *subject to prescribed limitations* — was retained. The new provision, like one of the old, says the damages shall be such 'as to the court shall appear to be just.' Like both the old, it prescribes a *minimum* limitation and, like one, a maximum limitation." (249 U.S. at p. 107)

The purpose and intent of this statute, based upon earlier versions, was further enunciated in *Westermann*, by quoting from a decision under the former statute (*Brady v. Daly*, 175 U.S. 148):

"It is evident that in many cases it would be quite difficult to prove the exact amount of damages which the proprietor of a copyrighted dramatic composition suffered by reason of its unlawful production by another, and yet it is also evident that the statute seeks to provide a remedy for such a wrong and to grant to the proprietor the right to recover the damages which he has sustained therefrom.

"The idea of the punishment of the wrongdoer is not so much suggested by the language used in the statute as is a desire to provide for the recovery by the proprietor of full compensation from the wrongdoer for the damages such proprietor has sustained from the wrongful act of the latter. *In the face of the difficulty of determining the amount of*

such damages in all cases, the statute provides a minimum sum for a recovery in any case, leaving it open for a larger recovery upon proof of greater damage in those cases where such proof can be made. . . .

“‘Although punishment, in a certain and very limited sense, may be the result of the statute before us so far as the wrongdoer is concerned, yet we think it clear such is not its chief purpose, which is the award of damages to the party who had sustained them, and the minimum amount appears to us to have been fixed because of the inherent difficulty of always proving by satisfactory evidence what the amount is which has been actually sustained.’” (pp. 108-109)

B. The Supreme Court Has Consistently Held That it is Mandatory for a Court to Award Minimum Statutory Damages of \$250 Per Infringement When a Copyright Owner Does Not or Cannot Prove its Damages and the Infringer's Profits, If Any.

Under Section 101 of the Copyright Act, the copyright owner who proves infringement must recover either his actual damages and the infringer's profits or, in lieu thereof, statutory damages between the minimum of \$250 and the maximum of \$5,000. Under the first proviso, the copyright owner is entitled to *both* damages and profits, not just one of those elements. If both cannot be ascertained, then he has the election to take the statutory measure. Upon such election, the court must make an award in at least the minimum statutory amount for each infringement found. This was the square holding of the Supreme Court in three decisions, *Westermann Co. v. Dispatch Printing Co.*, *supra*, *Douglas v. Cunningham*,

supra, and *Jewell-LaSalle Realty Company v. Buck*, 283 U.S. 202 (1931).

In *Westermann*, the trial court awarded the copyright owner only nominal damages, \$10, for an innocent infringement by a publisher. There was no evidence of the amount of the owner's damages, there being "undisputed testimony" (as here) that damages could not be estimated or stated in dollars and cents. The Supreme Court noted that "whether the defendant made any profit from the publications does not appear."* The Supreme Court reversed the trial court's judgment, holding that plaintiff must be awarded the minimum statutory damages of \$250 for each of seven infringements.

"... In other words, the court's conception of what is just in the particular case, considering the nature of the copyright, the circumstances of the infringement and the like, is made the measure of the damages to be paid, but with the express qualification that in every case the assessment must be within the prescribed limitations, that is to say, neither more than the maximum nor less than the minimum. Within these limitations the court's discretion and sense of justice are controlling, but it has no discretion when proceeding under this provision to go outside of them." (249 U.S. 100 at 106-107)

In *Douglas v. Cunningham*, *supra* where plaintiff copyright owner likewise admitted inability to prove actual damages and there was no evidence of defendant's profits, the Supreme Court affirmed the use of the statutory yardstick, holding that the trial court's discretion within those dollar limitations is not reviewable.

* The opinion of the Court of Appeals for the Sixth Circuit in the case (233 Fed. 609) states that "defendant made no profits so far as the proofs indicated." (233 Fed. Ct. 613).

One of the questions certified to the Supreme Court in *Jewell-LaSalle Realty Company v. Buck*, *supra*, was:

“In a case disclosing infringement of a copyright covering a musical composition, there being no proof of actual damages, is the court bound by the minimum amount of \$250 set out in the so-called “no other case” clause of Section 25(b) of the Copyright Act (17 U.S.C., Sec. 25), reading, “and such damages shall in no other case exceed the sum of \$5,000 nor be less than the sum of \$250, and shall not be regarded as a penalty?” ’ ’ (p. 203)*

The Court answered in the affirmative, in an opinion by Justice Brandeis. The Court said that it was “settled in *Westermann Co. v. Dispatch Printing Co.*, . . . that for each publication \$250 is the minimum damages.” It noted that the infringers argued that the rule was “burdensome and unreasonable” and that it had been “followed unwillingly” by the lower courts under the *Westermann* case. The Court answered that, if the provisions of the section have proved unreasonable, the remedy lies with Congress.

The most recent decision of the Supreme Court on construction of this statute expressly reaffirms and relies upon *Westermann* and *Douglas*. In *F. W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228 (1952), it was proved that Woolworth innocently purchased some statuettes of a dog, not knowing that they infringed plaintiff’s copyrighted figurine. The gross profit of Woolworth from sale of its statuettes was \$899.16 (proved by evidence that satisfied the Court of Appeals and the Supreme Court). The trial court awarded the maximum statutory damages of \$5,000. Woolworth argued to the

* Sec. 25(b) of the Copyright Act was renumbered in the revision of 1947 and is now section 101(b).

Supreme Court that its liability was limited to the gross profit it had earned. "It argues that an infringing defendant, by coming forward with an undisputed admission of its own profit from the infringement, can tie the hands of the court and limit recovery to that amount. We cannot agree." The Court noted that the actual damages suffered by the plaintiff had not been adequately proved, but it did appear that a real and substantial injury had been inflicted. The Court's opinion notes that if the infringer's contention were sustained that profits may be the sole measure of liability as a matter of law, "such profits could be diminished even to the vanishing point . . . Moreover, a rule of liability which merely takes away the profits from an infringer would offer little discouragement to infringers. It would fall short of an effective sanction for enforcement of the copyright policy. The statutory rule, formulated after long experience, not merely compels restitution of profit and reparation for injury but also is designed to discourage wrongful conduct. The discretion of the court is wide enough to permit a resort to statutory damages for such purposes. Even for uninjurious and unprofitable invasions of copyright the court may, if it deems it just, impose a liability within statutory limits to sanction and vindicate the statutory policy." (344 U.S. at 233)

C. The Decisions of this Court and Other Courts of Appeal Are That a Plaintiff Must Be Awarded at Least Minimum Statutory Damages If He Is Unable to Prove His Actual Damages or the Infringer's Profits.

The courts of appeal which have had occasion to pass upon the construction of Section 101(b) of the Copyright Act have followed and developed the principle laid down in *Westermann*. That accord of opinion was likewise

ignored by the district court here in reaching its erroneous decision to deny plaintiff any damages.

This Court felt that the question was so well settled by 1933 that it summarily reversed a district court decision which, as here, had found infringement but denied the plaintiff any damages. In *Buck v. Bilkie*, 63 F.2d 447 (9 Cir. 1933), an assignee of a copyright for a musical composition had brought suit for infringement of that copyright, by a single public performance in a night club or tavern. An appeal was taken by the plaintiff copyright owner from that portion of the judgment which denied it any damages and attorneys fees. This Court said in a *per curiam* opinion:

“In the absence of proof of actual damages, an award of at least \$250 damages is mandatory. *Jewell-LaSalle Realty Co. v. Buck*, 283 U.S. 202, 51 S.Ct. 407, 75 L.Ed. 978, construing 17 U.S.C. § 25 (b), 17 USCA § 25(b), the Copyright Act § 25(b).

“Under Section 40 of the act (17 USCA § 40), ‘the Court may award to the prevailing party a reasonable attorney’s fee.’ Any such award is clearly discretionary: We find no abuse of discretion in the denial of attorneys’ fees, inasmuch as infringement ceased immediately on what defendant testified to have been the first notice received.

“The decree will be modified by adding thereto an award of the statutory minimum of \$250 damages, in addition to the costs.” (63 F.2d at 447)

Other circuit courts have been equally resolute in applying the principle that the copyright owner who is unable to prove his actual damages or the infringer’s profit must be awarded minimum statutory damages. The following are examples:

First Circuit — *Widenski v. Shapiro, Bernstein & Co., Inc.*, 147 F.2d 909 (1945); *Markham v. A. E. Borden Co., Inc.*, 221 F.2d 586 (1955); and *Chappell & Co., Inc. v. Palermo Cafe Co.*, 249 F.2d 77 (1957).

Second Circuit — *Russell & Stoll Co. v. Oceanic Electrical Supply Co., Inc.*, 80 F.2d 864 (1936); *Burndy Engineering Co., Inc. v. Sheldon Services Corp.*, 127 F.2d 661 (1942); and *Nikanov v. Simon & Schuster, Inc.*, 246 F.2d 501 (1957).

Fifth Circuit — *Irving Berlin, Inc. v. Daigle*, 31 F.2d 832 (1929); *Lutz v. Buck*, 40 F.2d 501 (1930); and *Universal Statuary Corporation v. Gaines*, 310 F.2d 647 (1962).

Seventh Circuit — *Dreamland Ball Room, Inc. v. Shapiro, Bernstein & Co.*, 36 F.2d 354 (1929); and *Toksvig v. Bruce Publishing Co.*, 181 F.2d 664 (1950).

Eighth Circuit — *Johns & Johns Printing Co. v. Paull-Pioneer Music Corp.*, 102 F.2d 282 (1939); *Amsterdam Syndicate, Inc. v. Fuller*, 154 F.2d 342 (1946); and *Wihitol v. Crow*, 309 F.2d 777 (1962).

Indeed, a number of these decisions, as well as district court decisions, hold that a copyright owner unable to prove his actual damages must be awarded the minimum "in lieu" damages even though he makes *no* effort to prove the infringer's profits, or there is proof that *no* profits were made. These decisions will be discussed hereinafter. Plaintiff here made a good faith but fruitless effort to prove the defendant's profits, as well as a positive showing that its damages could not be calculated. Thus, plaintiff here undertook a much greater burden of proof than many cases hold sufficient to compel award of "in lieu" damages.

D. Plaintiff Here Was Unable to Prove Its Actual Damages and the Defendant Infringer's Profits Were Not Proved With Any Certainty.

1. Damages.

Finding No. 17 (1 Tr. 230) adopted by the District Court here reads:

“17. The amount of damage suffered by plaintiff due to the infringements is ascertainable. There is no evidence of any damage to the plaintiff. Indeed, it is difficult to see how the plaintiff could be damaged by the sale because plaintiff's own agent bought the Book, and thus prevented the circularization of the copyrighted material to the public.”

This finding is both self-contradictory and clearly erroneous.

The finding is contradictory in that, if there was no evidence of any damage to the plaintiff, the amount of the damages could not be ascertainable. The two are incompatible.

The finding is erroneous for the following reasons:

As to ascertainment of damages, plaintiff through its sales manager showed that there was no way to fix, much less estimate, the amount of damage suffered by plaintiff due to the sales of the books by defendant.

“Q As to the particular book before you, Plaintiff's Exhibit 1, do you know what has been the effect upon the plaintiff of the sale of that book?

“A On the specific book, no.

“BY MR. PRIEST:

“Q Do you know of any method of calculating any damage to the plaintiff arising as a result of

the sale of the book before you, Plaintiff's Exhibit 1?

"A It is very difficult to do this because there are potential customers, but we can never be sure that that customer would buy the specific song in this case." (2 Tr. pp. 18-19)

This testimony was not challenged in any way by defendant. Plaintiff's sales manager further testified that it was impossible to ascertain the amount of sales in a local area such as Los Angeles because the plaintiff sold to regional jobbers, who resold over a wide area of Southern California (2 Tr. pp. 36-38). Thus, it was impossible for plaintiff to fix or estimate the decline in sales of its songs that may have been attributable to defendant's infringing sales. Further, plaintiff's sales manager testified that there was other damage to plaintiff in its relationships with its composers and authors. This is intangible and cannot be measured in dollars and cents (2 Tr. pp. 33-35).

Also as to the impossibility of ascertaining damage, there was testimony that the retail price of the sheet music for each of defendant's copyrighted songs was sixty cents, whereas the price per song of the one book for which defendant had figures (the book sold to Tempesta) was two and one-half cents. The comparison in appearance and format of plaintiff's sheet music and authorized collection of songs (Pltf's Exs. 5, 6 & 7) with the shabby, unbound infringing "fake book" sold by defendant (Pltf's Ex. 1) shows in and of itself the intangible damage to plaintiff's exclusive right to vend. Who can deny that plaintiff's songs were cheapened and demeaned in the public's eye and mind by being sold in such a book? There is created an intangible depreciation and injury to the value of plaintiff's business which can-

not be measured by the simple differential in dollars and cents between sales prices.

Contrary to the second sentence of Finding No. 17, there was express evidence of damage to plaintiff. Plaintiff's sales manager testified:

"THE COURT: Is there any damage to the plaintiff from the sale of this particular book?

"THE WITNESS: Yes, your Honor.

"THE COURT: All right.

"THE WITNESS: There is an intangible loss. Violation of the copyright law which states we must have proper copyright notice of every printed copy or possibly we can lose our interest of ownership of that copyright.

"MR. HORNBAKER: I ask to strike that as being a legal opinion of the witness and an improper one in my opinion.

"MR. PRIEST: Let me hear the whole answer, please. I don't think you have completed your answer.

"THE WITNESS: No.

"THE COURT: I thought he had.

"THE WITNESS: Also in violation of contracts with our composers which state various stipulations.

"THE COURT: Well, all right. Now, let me hear his answer.

"(The answer was read by the reporter.)

"THE COURT: All right. What was your motion now? What was your motion?

“MR. HORNBAKER: Well, I move to strike the entire answer of the witness on the grounds that it is not limited to this particular book. I move to strike it on the further grounds that it calls for an opinion of the witness. I move to strike it on the further grounds that it calls for an answer which is not the best evidence. If these contracts so provide, then we should have the contracts here and not the testimony of this witness as to what is in the contracts. Now - -

“THE COURT: The motion is granted.” (2 Tr. pp. 34-36)

We understand the motion to have gone only to the explanation by the witness, not to his direct answer “Yes, your Honor”. The explanation of the witness was improperly stricken, because he was entitled to express the reasons for his opinions, he being the person best qualified to state the damage to plaintiff. An owner of property can testify to his belief that his property has been damaged, and the reasons therefor. *Kinter v. United States*, 156 F.2d 5, 7 (2 Cir. 1946). In addition to this testimony, there is further direct testimony by the witness of decline of sales, effects upon relations with the composers and authors, and harmful effects upon plaintiff’s copyrights (2 Tr. 16-19; 27-29; 34-39). This testimony was not disputed in any way by the defendant.

The songs in issue are plaintiff’s stock in trade, and it is actively trying to sell them in the Los Angeles area and throughout the United States, as sheet music and as part of small, legitimate collections. Sales by defendant of a cheap and shabby book of 1,000 songs, without plaintiff’s permission and without any payment whatever to plaintiff, clearly and directly injure the value of plaintiff’s copyrights. One of the two most valuable

rights conferred by the Copyright Act, that is, the exclusive right to vend, is destroyed by actions such as defendant's. There could be no more "actual" damage to plaintiff's copyrights. The short of it is that the plaintiff proved damage in *fact*; and the statute supplies the amount.

Therefore, there was substantial, undisputed evidence of damage to the plaintiff, making the second sentence of Finding No. 17 erroneous.

The third sentence of Finding No. 17 is likewise clearly erroneous, for several reasons.

1. It completely ignores the admission of defendant's President, Bleeker, that two other copies of the book were sold (2 Tr. 81), these sales being as much an ingredient of the infringement by defendant as the sale to Tempesta. Defendant did not know to whom these books were sold, and obviously they were members of the general public (2 Tr. 82-84, 115-116).

2. Tempesta was not an agent of the plaintiff. He was an employee of Music Publishers Protective Association, Inc., of which plaintiff is only one member among a number of music publishers (1 Tr. 118). While his duties included discovering sellers of illegal and infringing song books, such as those sold by defendant, there was *absolutely no evidence* that plaintiff knew in advance that Tempesta would visit defendant's store, that it had any direction or control over his activities, or that it did direct or authorize him to go to defendant's store. Tempesta would be an agent of plaintiff only if the evidence established that plaintiff here controlled or had the right to control his conduct with respect to the investigation of defendant's store. Restatement of Agency § 14; *Ledbetter v. Farmers Bank and Trust Co.*, 142 F.2d 147, 150 (4th Cir.

1944). The primary test of agency is the right of control. *Cox v. Kaufman*, 77 Cal.App.2d 449, 452 (1946). Further, there was no evidence of any agreement or consent between plaintiff and Tempesta whatever. "Agency is the fiduciary relation which results from manifestation of consent by one person to another that the other shall act on his behalf and subject to his control, and consent by the other so to act." Restatement of Agency § 1; *Kosters v. Hoover*, 98 F.2d 595, 597 (App.B.C. 1938). Therefore, the findings of the court as to agency of Tempesta (1 Tr. pp. 229-230) are clearly erroneous.

3. Even if Tempesta were considered an agent, the offering for sale and sale of the infringing book would still be an infringement of plaintiff's copyright. There was no evidence that Tempesta knew or could have known that any one or more of the plaintiff's twelve copyrighted songs were contained in the book. The only evidence adduced as to Tempesta is contained in three paragraphs of stipulations of fact in the pre-trial conference order (1 Tr. p. 118) and the stipulation that defendant sold a copy of the infringing book to him on June 13, 1962 (1 Tr. pp. 116-117). If Tempesta did not know at the time of purchase that any of plaintiff's songs were in the books offered to him by defendant, then there could be no possibility of consent by plaintiff to the distribution and sale of the pirated songs. Hence, the copyright infringement was complete upon such sale, as it was upon the similar sales to other persons.*

* Deft. had no knowledge or information as to whether the other sales took place before or after the sale to Tempesta (2 Tr. 87-88).

2. Profits.

The district court held that the defendant's gross profit from the sale of one book (the sale to Tempesta) was \$19.10, that these gross profits on the one book should be apportioned equally among the 1,000 songs contained therein, and that, hence, defendant made a profit of twenty-two cents from the sale of the twelve infringed songs in the one book. The court's finding characterized the matter thus: "the actual profits made are trivial but are not difficult to ascertain." (F. 16; 1 Tr. pp. 229-230) Upon the basis of these erroneous findings the trial court held that it did not need to resort to the "in lieu" damage provisions of Section 101 of the Copyright Act (Conclusion of Law Nos. 4 & 5; 1 Tr. p. 232). This conclusion of the district court was likewise erroneous.

The court's finding as to a profit of twenty-two cents is erroneous primarily because it ignores the profit made by defendant on the sale of the other infringing books. Defendant had no records of such sales and its President testified that he had no means of knowing the sales price (2 Tr. pp. 81-84). Hence, even the gross profit could not be computed.*

The finding of profit on the one book sold to Tempesta is also erroneous because of the assumption that the gross profit of \$19.10 should be apportioned equally among all of the 1,000 songs. The finding was that plaintiff "offered no credible evidence at the trial to show that plaintiff's twelve copyrighted songs were any more

* The profits referred to in the statute are net profits (*Sheldon v. Metro-Goldwyn Pictures*, 309 U.S. 390), but the burden is upon the infringer to prove the costs incurred to arrive at a net profit. Here, the evidence expressly showed that deft. had no way of ascertaining such costs (2 Tr. 84-86). Thus, net profits also were not ascertainable.

or less valuable than the other songs in the Book. Nor did plaintiff offer any other credible evidence to show the profit on the book should not be apportioned equally among the songs therein." (F. 23; 1 Tr. 230). No such evidence was offered for the obvious reason that no person is qualified to judge or to estimate the relative value to the general public in any one section of the country of 1000 songs. Certainly, no witness, expert or otherwise, could testify that one or more songs in the book were the ones which the particular purchasers of these books desired. It would be impossible to ascertain which songs in the books were the ones which the purchasers particularly wanted to have for their use. In addition, the Court can ascertain for itself that many of the songs in the book are famous, whereas others are unknown, thus precluding an equal apportionment of gross profit (see the table of contents at the front of the book, Pltf. Ex. 1). Defendant's President admitted that there are a number of "famous" songs in the book (2 Tr. 104).

Courts have never attempted an equal apportionment of profits to all components of a book or newspaper in which one or a few components constitute infringing material. For example, in the *Westermann* case, neither the trial court nor the Supreme Court tried to apportion the defendant newspaper publisher's profits from the infringing advertisements as distinguished from the remainder of the newspaper. The Supreme Court contented itself with the statement: "Whether the defendant made any profit from the publications does not appear." (249 U.S. at 104) Likewise, in the following cases there was no attempt at an arbitrary, equal allocation of the gross profits of the infringer. *Burndy Engineering Co. v. Sheldon Service Corp.*, 127 F.2d 661 (2nd Cir. 1942); *Toksvig v. Bruce Publishing Co.*, 181 F.2d 664 (7th Cir. 1950); *Johns & Johns Printing Co. v. Paull-Pioneer*

Music Corp., 102 F.2d 282 (8th Cir. 1939); *Hedeman Products Corp. v. Tap-Rite Products Corp.*, 228 F.Supp. 630 (D.N.J. 1964);

E. Irrespective of the Amount of Defendant's Profits, Plaintiff Was Entitled to the Statutory Minimum Damages Because of Its Inability to Prove its Actual Damages.

Even if the defendant's profits were only twenty-two cents, or some similar, trivial figure, plaintiff would still be entitled to recovery of the statutory minimum of \$250 in order to compensate it for its *damages*. The statute unequivocally gives the right to *both* damages and profits. It has been strongly stated that the fact that an infringer's profits are negligible is no proof that the damages are negligible. There is no relationship between the two elements. *Sammons v. Larkin*, 126 F.2d 341, 345 (1 Cir., 1942). It has repeatedly been held that the statutory minimum damages must be awarded to a copyright owner for an infringement for which actual damage cannot be proved, *even if the infringer made no profit, or if the infringement is considered "trivial"*. *Markham v. A. E. Borden Co., Inc.*, 221 F.2d 586 (1st Cir. 1955); *Nikanov v. Simon & Schuster, Inc.*, 246 F.2d 501 (2nd Cir. 1957); *Wihtol v. Crow*, 309 F.2d 777 (8th Cir. 1962); *Cravens v. Retail Credit Men's Assn.*, 26 F.2d 833 (M.D.Tenn. 1924); *Eliot v. Geare-Marston, Inc.*, 30 F.Supp. 301 (E.D.Pa. 1939); *National Geographic Society v. Classified Geographic*, 27 F.Supp. 655 (D.Mass. 1939); *Sebring Pottery Co. v. Steubenville Pottery Co.*, 9 F.Supp. 384 (N.D. Ohio 1934); and *Towle v. Ross*, 32 F.Supp. 125 (D. Ore. 1940).

The circumstances in *Wihtol v. Crow*, *supra*, are closely analogous to those here. Plaintiff, who owned two copyrights of a hymn, claimed infringement by reason of the actions of a school teacher-choir director in making a

new arrangement of plaintiff's song, duplicating forty-eight copies of it on a school duplicating machine, and arranging for two performances of it, one by a high school chorus and one by a church choir. After the infringement was called to the teacher's attention, he surrendered all copies of the arrangement to the plaintiff. The trial court dismissed the complaint as against all defendants (the teacher, the school district and the church for which the choir made its single performance), and awarded costs and attorneys fees to them. The court of appeals reversed, despite the fact that it characterized the infringements as an "unfortunate but unintentional and seemingly harmless mistake" (309 F.2d at 780). It held that both the teacher and the church were jointly liable for the statutory damages of at least \$250. It further held that there were two infringements because there were two separate copyrights by the plaintiff of the same song, there being slightly different versions which the defendant had used. (309 F.2d at 782-783)

The holding of the District Court for Oregon, speaking through the late Judge James Alger Fee in *Towle v. Ross, supra*, is likewise apposite. There, the defendant government employees had made several photographic reproductions in their office of plaintiff's copyrighted map, but the reproductions were never used. Thus, there was no profit whatever to the infringers. In awarding the statutory minimum damage of \$250, the Court stated:

"The plaintiff is entitled to some damages on the mere showing of infringing acts. There must have been some actual damage, under the authorities, but this damage is without further proof raised to the statutory amount if the amount cannot be ascertained. The plaintiff has failed to prove any damage

to his general business, or any casual connection with the acts of defendants and its diminution. The loss of two sales may have been caused by the infringement.

“... ”

“The damages to be assessed are to be fixed by the trial court based upon the record. *The amount is discretionary if within the statutory limits. This rule was established in order to give more than nominal damages when the amount was incapable of proof.*” (32 F.Supp. at 128)

The public policy requiring that the copyright owner be given at least the minimum statutory damages of \$250 for each infringement even though the infringement be thought to be “trivial” has been clearly expressed by several courts, in addition to the decisions cited immediately above. In *Johns & Johns Printing Co. v. Paull-Pioneer Music Corp.*, *supra*, the court answered the infringer’s argument that the infringement was “technical only, wholly unintentional and trivial in nature” by saying that the chorus of a song is a material and substantial part of the work, that intention to infringe the copyright is not essential under the Copyright Act, and that a copyright owner “is entitled to recovery although the damages may be trivial” (102 F.2d at 283). Judge Learned Hand referred to a copyright infringement claim before him as a “trivial pother. . . , a mere point of honor, of scarcely more than irritation, involving no substantial interest. Except that it raises an interesting point of law, it would be a waste of time for everyone concerned. However, Section 25 [now Section 101 of the Copyright Act] fixes a minimum of \$250, which is absolute in all cases. . . Therefore, I must and do award that sum as damages.” (*Fred Fisher, Inc. v. Dillingham*, 298 Fed.

145, 152 (S.D.N.Y. 1924). See, also, *Amplex Mfg. Co. v. A.B.C. Plastic Fabricators, Inc.*, 184 F.Supp. 285, 287-288 (E.D. Pa. 1960).

Plaintiff did not “rest on its oars” in the trial below. It presented to the court all the evidence available as to defendant’s costs and its sales receipts, evidence which showed that the profits could not be ascertained. In numerous cases the courts have held that a copyright owner is entitled to the minimum statutory damages as a matter of right, even though he presents no evidence whatever of the defendant’s profits. *Westermann Co. v. Dispatch Printing Co.*, *supra*; *Douglas v. Cunningham*, *supra*; *Jewell-LaSalle Realty Co. v. Buck*, *supra*; *Buck v. Bilkie*, *supra*; *Widenski v. Shapiro*, *Bernstein & Co., Inc.*, *supra*; *Chappell & Co., Inc. v. Palermo Cafe Co.*, *supra*; *Russell & Stoll Co. v. Oceanic Electrical Supply Co., Inc.*, *supra*; *Irving Berlin, Inc. v. Daigle*, *supra*; *Lutz v. Buck*, *supra*; *Dreamland Ball Room, Inc. v. Shapiro*, *Bernstein & Co.*, *supra*; *Amsterdam Syndicate, Inc. v. Fuller*, *supra*; *Interstate Hotel Co. of Nebraska v. Remick Music Corp.* 157 F.2d 744 (8th Cir. 1946), cert. denied 329 U.S. 809 (1947); *Advertisers Exchange v. Hinkley*, 199 F.2d 313 (8th Cir. 1952), cert. denied 344 U.S. 921 (1952); *Buck v. Milam*, 32 F.2d 622 (D.Ida. 1929); *Doll v. Libin*, 17 F.Supp. 546 (D.Mont. 1936); *Law v. National Broadcasting Co.*, 51 F.Supp. 798 (S.D.N.Y. 1943); *Lindsay & Brewster, Inc. v. Verstein*, 21 F.Supp. 264 (D.Me. 1937); *Waterson, Berlin & Snyder Co. v. Tollefson*, 253 Fed. 859 (S.D.Cal. 1918); *M. Witmark & Sons v. Calloway*, 22 F.2d 412 (E.D.Tenn. 1927); *M. Witmark & Sons v. Pastime Amusement Co.*, 298 Fed. 470 (E.D.So.Caro. 1924), aff’d, 2 F.2d 1020 (4th Cir. 1924); *Zenn v. National Golf Review, Inc.*, 27 F.Supp. 732 (S.D.N.Y. 1939).

In those cases there was no showing that it was impossible to prove the profits, yet the courts did not feel that it was proper to deprive the copyright owners of relief merely because they had failed to show the infringer's profits. If a copyright owner is entitled to the minimum statutory damages when he does not undertake the burden of presenting the available evidence of the infringer's profits, there clearly is no reason to disallow relief in the minimum statutory amount to the plaintiff here, who attempted in good faith to present to the court all such available evidence. The unfairness of the ruling below is apparent from comparison with decisions cited above.

Further, in some cases the courts have concluded both that no damages were proven or probable to the copyright owner and no profits to the infringer (or that the proof on profits was unsatisfactory), yet have held themselves compelled to award the copyright owner the minimum statutory damages. *Hedeman Products Corp. v. Tap-Rite Products Corp.*, *supra*; *Harry Alter Co. v. A. E. Borden Co.*, 121 F.Supp. 941 (D.Mass. 1954); and *Holdredge v. Knight Publishing Corp.*, 214 F.Supp. 921 (S.D.Cal. 1963).

F. Plaintiff Was Entitled to an Award of \$250 For Each of the Twelve Infringements.

We submit that the above review of the evidence and the decisions of the United States Supreme Court, the courts of appeal and the district courts have shown that plaintiff was entitled to recovery of at least the minimum amount of \$250 for each of the twelve admitted infringements. It was unable to prove its actual damages in dollars and cents, and the total profits of the defendant infringer could not be ascertained. Under *Westermann* and the succeeding decisions, the trial court

had no discretion but to award the minimum set forth in the statute.

However, even if the court's finding as to certainty of profits was correct, the award of the statutory minimum damages would still be required because of plaintiff's inability to prove its damages. Certainty of proof as to one of the elements does not limit a copyright owner to that amount, because he is entitled to both elements. If he cannot prove both, then he is entitled to elect the statutory award in lieu of actual damages *and* profits. This is shown by the decisions cited in Sections B, C, D and E hereinabove.*

* The decision of the court of appeals in the *Westermann* case stated the matter very well:

" . . . By the clause 'in lieu of' it contemplates an election or discretionary choice between actual damages and profits on the one side, and, on the other side, an assumed or somewhat arbitrary award of such damages as may be just. Plaintiff claims that the copyright proprietor is entitled to make this election, and to plant his action arbitrarily and absolutely upon one theory or the other; defendant insists that the election or the discretionary choice is to be made by the court upon the trial. The plaintiff here made the election, if he had the power to do so; and on the evidence there can be no doubt that this was not a case for actual damages, as distinguished from those damages which might be fair and just, and that the court, if called upon to act, must make the same election as plaintiff did. Defendant made no profits, so far as the proofs indicated; the plaintiff's damages rested in the injury to his Morehouse contract and in the discouragement of and the tendency to destroy his system of business. To make any accurate proof of actual damages was obviously impossible. This case must therefore be treated, from any point of view, as one calling for the application of the 'in lieu' portion of the statute.

" . . .

"It seems to us the plain meaning of the language that Congress intended that the plaintiff should not recover less than

The district court below erroneously concluded that "if *either* profits or damages are ascertainable, the minimum provided for in the 'in lieu' provision need not be resorted to," citing *Sheldon v. Metro-Goldwyn Corp.*, 309 U.S. 390 (1940) (1 Tr. 232). This conclusion is erroneous. In *Sheldon* the Supreme Court affirmed a decision of the court of appeals holding that the plaintiff copyright owner was entitled only to one-fifth of the net profits of the defendants from their infringing motion picture, those net profits admittedly amounting to \$587,604. The issue before the Supreme Court was whether the copyright owner was entitled to all of the infringers' profits or only that portion which could fairly be attributable to the portions or elements of the copyrighted work which had been used. The Court held that an apportionment was required and that one-fifth was a fair allocation, based upon the expert testimony. The use of the "in lieu" damages under Section 101 was obviously not involved, because one-fifth of the profits exceeded the statutory maximum of \$5,000 by many times. (309 U.S. at 399) Such was the construction of the *Sheldon* case in the *Woolworth* decision (*supra*, 344 U.S. at 234).

Hence, it is not a question of ascertainment of *either* profits or damages, but the copyright owner is entitled to an award of the statutory damages unless *both* actual

\$250 damages in any copyright infringement suit not based upon a newspaper reproduction of a photograph — at least in any case where the actual damages fail to appear so clearly and so fully as to forbid resort to the 'in lieu' clause. The necessary effect of the provision is to prohibit the award of merely nominal damages. This intent implies no undue harshness. Not only does the typical copyright infringement, if not every one, involve indirect damages almost sure to be considerable, but in few cases would one sum of \$250 more than compensate plaintiff for his time, trouble and expense in detecting, following up and prosecuting an infringement. . . ." (233 Fed. 609, 612-614)

damages and profits are ascertained with sufficient certainty. Plaintiff here could not prove both, even under the trial court's erroneous view as to the infringer's profits, and therefore the award of the statutory minimum is compelled.

II. THE DISTRICT COURT ERRED IN FAILING TO GRANT AN INJUNCTION AGAINST INFRINGEMENT BY THE DEFENDANT OF PLAINTIFF'S COPYRIGHTED MUSICAL COMPOSITIONS.

Based upon a finding that "the court is not justified in concluding that there is any threat by the defendant to sell or continue to sell any of the copyrighted compositions, without plaintiff's permission," (F. 31; 1 Tr. 232) the district court denied plaintiff's request for an injunction (F. 32; 1 Tr. 232). Both the finding and the conclusion are clearly erroneous.

The testimony of the witness Bleeker, the President of defendant, showed that he had at least one of the infringing books remaining in his possession. While Mr. Bleeker testified that he did not intend to sell any more of the infringing books, plaintiff is plainly entitled to a court order holding him to that intention.

The mandate of Section 101(a) is clear and unequivocal. It provides that any person who shall infringe a copyright of any work protected under the copyright laws "shall be liable to an injunction restraining such infringement." There are no qualifications or modifications on this statutory direction, either based upon an infringer's expressed good intentions or otherwise.

It has consistently been held that the lack of any further "threat" by the infringer to continue the infringement does not justify the court in refusing an injunction, if the infringement has been proved.

“ . . . While there does not appear to be any immediate danger of further infringement, yet I am of opinion that the injunction should issue as a recognition of plaintiff's technical right under section 25 of the copyright statute (17 USCA § 25). . . .” *M. Witmark & Sons v. Calloway*, 22 F.2d 412, 414 (E.D. Tenn. 1927)).

See, also, *Fred Fisher, Inc. v. Dillingham*, *supra* (“the plaintiff may, of course, take the usual injunction, though under the circumstances it will apparently be of no service”) (298 Fed. at 152); and *Wihtol v. Crow*, *supra* (“while it seems highly improbable that, under the circumstances, there is the slightest danger of any of the defendants ever again copying or using the plaintiffs' song, the plaintiffs, no doubt, have the right to have their plea for an injunction considered and ruled upon by the trial court”) (309 F.2d at 783)).

III. THE DISTRICT COURT ERRED IN FAILING TO GIVE PLAINTIFF THE FURTHER RELIEF ACCORDED IT AS A COPYRIGHT OWNER UNDER SECTION 101(d) OF THE COPYRIGHT ACT.

In its amended complaint, the plaintiff requested the court's order that the defendant be ordered to deliver up to the court and plaintiff all infringing copies of the plaintiff's musical compositions in defendant's possession or under its control and to deliver up for destruction all plates, molds and other matter for making such infringing copies (1 Tr. p. 29). This was one of the issues of law included by the district court in the pretrial conference order (1 Tr. pp. 127-128).

The relief requested is that expressly given to the copyright owner under the direct language of Section 101(d) of the Copyright Act. The relief requested by the

plaintiff is almost a verbatim copy of that statutory provision.

The defendant admitted having at least one copy of the infringing book still in its possession at the time of trial, and it did not deliver this up to the court or plaintiff for destruction. Nor did it deliver or offer to deliver up any other unauthorized copies of any of plaintiff's copyrighted musical compositions which it might have. In the face of these circumstances, it was clear error for the district court to deny plaintiff this relief to which it is entitled.

IV. THE DISTRICT COURT ERRED IN AWARDING COSTS AND ATTORNEYS FEES TO THE INFRINGER.

The district court not only refused plaintiff the rightful relief to which it was entitled for the infringements, but granted the infringer its costs in full and attorneys fees in the amount of \$1500. This action is strikingly erroneous.

Apparently, there were two bases for the district court's award of costs and attorneys fees to the infringer. The first basis was findings that plaintiff's prosecution of the case "was not in good faith and was without any reasonable belief in the merits thereof." The court also found that the plaintiff knew or should have known that its arguments as to its damages and the infringer's profits, and the request for statutory damages, lacked merit (FF. 24, 26 and 27; 1 Tr. 230-231). The second basis was that defendant had offered before trial a judgment in the amount of \$50, which had been rejected by plaintiff. Since the court concluded that plaintiff was entitled to nothing, it held that the defendant was the prevailing party, entitled to its costs and attorneys fees (1 Tr. pp. 230-233).

In view of the Supreme Court, court of appeals and district courts decisions cited above, each allowing the copyright owner statutory damages and injunctive relief for infringements no more serious than those committed by defendant here, it is mildly amazing to find the district court, while finding infringement, nevertheless holding that plaintiff's prosecution of its rights was not in good faith and was without any reasonable belief in the merits thereof. The effect of the district court's finding is to penalize and effectively to prohibit any copyright owner from protecting his copyrights by judicial action unless the infringements concern thousands of dollars of damages or profits. Such an attitude is so clearly antagonistic to the intent of Congress expressed in the Copyright Act that it beggars description. The good faith of plaintiff and the reason for belief in the merits of its case is evident from the *Westermann* case alone, as well as the decision of this Court in *Buck v. Bilkie*, *supra*, and the decisions of other Courts of Appeal such as *Wihtol v. Crow*, *supra*, and *Johns & Johns Printing Co. v. Paull-Pioneer Music Corp.*, *supra*. If plaintiff was not entitled to present arguments based upon these cases to the court in support of its request for relief, then it has, from a practical standpoint, been denied its day in court.

The district court cited two cases in support of its basis for awarding the infringer costs and attorneys fees: *Talon v. Union Slide Fastener*, 266 F.2d 731 (9th Cir. 1959), *Shingle Products v. Gleason*, 211 F.2d 437 (9th Cir. 1954). Neither case is authority for an award in the circumstances of the present case. Both of them involved the alleged infringements of patents, and in both cases the trial court and the court of appeals held that the patents were invalid. Here, pltf's copyrights were admittedly valid and infringed. In the *Shingle* case, moreover, the

evidence showed an apparent admission of invalidity during the pendency of the appeal. Further, the court found that the plaintiff corporation had been set up without assets “solely” to bring harassing actions for patent infringement on the invalid patents. In the present case, to the contrary, pltf. corporation was solely in business to sell music, and the action was necessary to preserve its copyrights and to prevent further damaging sales of pirated versions of its songs. Plaintiff was certainly entitled and was obviously in good faith in proceeding before the district court for a determination of its right to injunctive relief, to statutory damages, and to the other relief expressly given it by the copyright statutes.

Indeed, if there is any analogy to the patent cases, the analogy is more properly to decisions such as *Park-In Theatres, Inc. v. Perkins*, 190 F.2d 137 (9th Cir. 1951), in which this Court stated that attorneys fees should be awarded to a successful defendant in a patent infringement case only when it was “grossly unjust” that the successful defendant be left to bear the burden of his own counsel fees.

Nor was there any fair basis for an award of attorneys fees by reason of defendant’s offer of settlement before trial. That offer was for \$50 only, without any injunction, without surrender of the infringing works still in the possession of the defendant, and without the statutory damages. (1 Tr. p. 230). Plaintiff clearly was in good faith and in good judgment in rejecting this offer and proceeding to trial. Even if plaintiff were held not entitled to statutory damages (to which it is clearly entitled), it would be entitled to the injunction and equitable relief set forth in the statute. This the defendant did not offer. Plaintiff should not now be

penalized \$1500 and other costs by reason of its rightful rejection of this pretrial settlement offer.

There is a suggestion in the court's findings and conclusions of a possible third basis for the award of attorneys fees, that of an alleged wide disparity between the economic stature of plaintiff and of the defendant (F. 28 and Conclusion of Law 10; 1 Tr. pp. 231, 233). Finding No. 28 is clearly in error in stating "the court takes judicial notice of the disparity between the financial resources of plaintiff and the defendant." There was absolutely no evidence in the record of the financial resources of plaintiff, either by way of its assets or its income. Further, the court cannot take judicial notice of such obviously private facts as the financial size of a party. That is a matter of evidence, and there was no evidence concerning it. Hence, both the finding and the conclusion are clearly erroneous.

CONCLUSION

Despite the admitted multiple infringements by defendant of plaintiff's valid copyrights in its valuable musical compositions, the district court refused any relief whatever and rewarded the infringer by giving it its costs and attorneys fees. Such a result effectively destroys the value of plaintiff's copyrights and deprives it of the protection which Congress fully intended to give to persons who contribute original music, literature and works of art to the public. Congress has foreseen situations like that facing the plaintiff, in which the copyright owner would be unable to prove the actual damage to its copyrights by reason of the strict rules of law concerning such proof, and has provided a remedy in lieu thereof. That "in lieu" remedy within minimum and maximum limitations is by contemplation of law "just" (*Douglas v. Cunningham, supra*). It does not matter

whether the infringement be considered trivial or substantial by the court, the copyright owner is entitled to the minimum protection given by the statute. The trial court has here wrongfully refused relief for the wrong done to plaintiff, which was an actual damage to its business and copyrights. The decision is clearly erroneous and should be reversed with costs on appeal to the plaintiff.

Respectfully submitted,

O'MELVENY & MYERS
BENNETT W. PRIEST
HENRY C. THUMANN

By BENNETT W. PRIEST

Attorneys for Appellant.

CERTIFICATE

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit and that, in my opinion, the foregoing brief is in full compliance with those rules.

BENNETT W. PRIEST

